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WEST BRANCH DISTRICT LIBRARY
OGEMAW COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED JUNE 30, 2008

AUDITORS' REPORT

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December 31, 2008

Independent Auditors' Report

Members of the Library Board
West Branch District Library
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Branch District Library, Ogemaw County, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements, as listed in the index. These financial statements are the responsibility of the West Branch District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

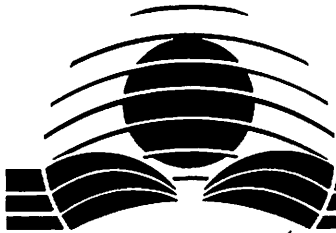
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the West Branch District Library, Ogemaw County, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Branch District Library's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stephenson, Gracik & Co., P.C.



West Branch
District Library

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the West Branch District Library's (the Library) financial performance provides an overview of the Library's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the Library's financial performance as a whole. The discussion focuses on the Library's primary government.

Financial Highlights

- The Library's assets exceeded its liabilities by \$461,800 (*net assets*).
- The Library's total net assets increased by \$14,477.
- The Library's governmental funds reported a combined ending fund balance of \$92,852 this year, an increase of \$7,099. Of this amount, \$92,270 is available for spending (*unreserved fund balance*) on behalf of its constituents, \$98 is reserved for building improvements, and \$484 is reserved for debt service.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Library as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Library's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net assets* and the *statement of activities* display information about the Library as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The Library does not currently hold any fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Library that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services. The Library does not currently have any business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the Library at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Library with certain limited exceptions. The comparisons of direct expenses with program revenues identify the extent to which each governmental program is self-financing or draws from the general revenues of the Library.

Capital assets are listed in this report for the West Branch District Library. These assets are comprised of buildings and improvements, furniture, computer systems, collections (library books) and land owned by the Library. These assets, net of accumulated depreciation, total \$473,011.

Fund Financial Statements

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental*, *Proprietary* and *Fiduciary*.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Library are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Library's major governmental fund:

- General Fund –This fund is the general operating fund of the Library. It is used to account for all financial resources, except those required to be accounted for in another fund.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Library does not currently have any Proprietary Funds.

Fiduciary Funds: Fiduciary fund reporting focuses on net assets and changes in net assets. The Library does not currently hold any Fiduciary Funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Library's *government-wide* and *fund* financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining nonmajor funds statements and schedules.

Government -Wide Financial Analysis

Summary of Net Assets:

The following summarizes the net assets of the West Branch District Library at June 30, 2008 and 2007:

Net Assets Summary

Governmental Activities

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current Assets	\$ 135,192	\$ 128,327
Capital Assets – net	<u>473,011</u>	<u>480,905</u>
Total Assets	<u>608,203</u>	<u>609,232</u>
Current Liabilities	39,015	38,554
Long-Term Liabilities	<u>107,388</u>	<u>123,355</u>
Total Liabilities	<u>146,403</u>	<u>161,909</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	365,316	357,905
Restricted	582	1,903
Unrestricted	<u>95,902</u>	<u>87,515</u>
Total Net Assets	<u>\$ 461,800</u>	<u>\$ 447,323</u>

Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for the year ended June 30, 2008 and 2007.

Generally speaking, the Library's net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The West Branch District Library, through its governing body, i.e., the Library Board, has taken a sensible approach regarding capital asset acquisition and amortization of the incurred debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

The Library Board has prudently set aside funds to offset potential future liabilities. It is the Library's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Governmental Activities

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Program Revenues:		
Charges for Services	\$ 19,061	\$ 18,045
Operating Grants and Contributions	24,180	20,785
Capital Grants and Contributions	<u>0</u>	<u>11,421</u>
Total Program Revenues	<u>43,241</u>	<u>50,251</u>
General Revenues:		
Property Taxes	83,104	79,912
State Revenue Sharing	7,126	7,534
Penal Fines	126,607	130,779
Investment Earnings	4,936	4,651
Other	<u>9,347</u>	<u>17,754</u>
Total General Revenues	<u>231,120</u>	<u>240,630</u>
Total Revenues	<u>274,361</u>	<u>290,881</u>
Program Expenses:		
Recreation and Cultural	255,231	236,120
Interest on Long-Term Debt	<u>4,653</u>	<u>5,093</u>
Total Program Expenses	<u>259,884</u>	<u>241,213</u>
Change in Net Assets	14,477	49,668
Beginning Net Assets	<u>447,323</u>	<u>397,655</u>
Ending Net Assets	<u>\$ 461,800</u>	<u>\$ 447,323</u>

Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$43,241 from *Charges for Services and Operating Grants and Contributions*. The *Charges for Services* are primarily contractual fees paid by Churchill and Foster Townships under Library service agreements. While revenue collected is substantial, operating expenses totaled \$259,884 for these same activities for Library operations.

Financial Analysis of Library Funds

As noted earlier in this report, the Library uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

Governmental Funds

Governmental funds are those through which most governmental functions of the Library are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the Library's major governmental fund.

The other governmental funds of the Library account for grants, bond proceeds and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the construction of building additions and improvements.

This year's Library audit shows four governmental funds. These funds are maintained as separate units in the General Ledger.

Budgetary Highlights

The fiscal year ending June 30, 2008 was an exciting and financially solvent year for the West Branch District Library.

The Library began the year with a general fund balance of \$83,229. At year's end, that balance had increased to \$91,609, a net increase of \$8,380. The Library Operating Fund actual revenue of \$274,288 versus budgeted revenue of \$250,600 netted a favorable variance of \$23,688. Actual expenditures of the Library Operating Fund were \$245,255 versus budgeted expenditures of \$237,270 showing a net unfavorable variance of \$7,985.

Capital Asset and Debt Administration

Capital Assets

Capital assets are defined by the Library as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The Library's improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital Assets ending balance was \$1,138,841. Capital Assets – Net of Depreciation was \$473,011. Current year additions include new carpeting in the lower level of \$6,729 and books and audio/visual additions of \$21,444.

An expanded and detailed presentation may be seen in Note 3 of the audit, notes to financial statements.

Long-Term Debt

The Long-Term debt of the West Branch District Library, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the Library.

At year's end, long-term debt (due in more than one year) amounted to \$91,000. Such debt consists of *Bonds Payable*.

Economic Factors

The West Branch District Library has realized significant growth in the last ten years. Due to wise investing and the prudent financial decisions of the Library Board, the Library was able to complete a building expansion project in the year ending June 30, 2005. A facility bond was obtained for \$170,000, and community donations were utilized for the building expansion costs. The bonds are scheduled for repayment in annual installments through 2014.

Lower investment earnings and tentative state and federal economies will provide future challenges. The main source of funding for the Library is penal fine revenue which fluctuates from year to year. The Library millage will continue to provide approximately \$80,000 a year through June 30, 2009. The Library will be seeking a millage renewal from voters in 2009, which would be in effect in 2010. All of the remaining revenue is miscellaneous funds and donations which also fluctuate annually.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Library Director
West Branch District Library
119 N. Fourth Street
West Branch, MI 48661
989-345-2235

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents (Note 2)	\$ 131,172
Due from Other Units of Government	4,020
Noncurrent Assets:	
Capital Assets, Net (Note 3)	<u>473,011</u>
Total Assets	<u>608,203</u>
<u>Liabilities</u>	
Accounts Payable	1,933
Due to Other Units of Government	33,400
Accrued Interest Payable	695
Deferred Revenue	2,987
Long-Term Liabilities: (Note 5)	
Due Within One Year	16,388
Due In More Than One Year	<u>91,000</u>
Total Liabilities	<u>146,403</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	365,316
Restricted For:	
Debt Service	484
Capital Projects	98
Unrestricted	<u>95,902</u>
Total Net Assets	<u>\$ 461,800</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Function/Program	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
					Primary
					Governmental
					Governmental
					Activities
<u>Primary Government</u>					
Governmental Activities:					
Recreation and Cultural	\$ 255,231	\$ 19,061	\$ 24,180	\$ 0	\$ (211,990)
Interest and Fees on Long-Term Debt	<u>4,653</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,653)</u>
Total Governmental Activities	<u>\$ 259,884</u>	<u>\$ 19,061</u>	<u>\$ 24,180</u>	<u>\$ 0</u>	<u>(216,643)</u>
General Revenue:					
Property Taxes Levied For:					
Library Operating					83,104
State Revenue Sharing					7,126
Penal Fines					126,607
Interest and Investment Earnings					4,936
Other					<u>9,347</u>
Total General Revenue					<u>231,120</u>
Change in Net Assets					14,477
Net Assets - Beginning					<u>447,323</u>
Net Assets - Ending					<u>\$ 461,800</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents (Note 2)	\$ 129,929	\$ 1,243	\$ 131,172
Due from Other Units of Government	<u>4,020</u>	<u>0</u>	<u>4,020</u>
Total Assets	<u>\$ 133,949</u>	<u>\$ 1,243</u>	<u>\$ 135,192</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,933	\$ 0	\$ 1,933
Due to Other Units of Government	33,400	0	33,400
Deferred Revenue (Note 4)	<u>7,007</u>	<u>0</u>	<u>7,007</u>
Total Liabilities	<u>42,340</u>	<u>0</u>	<u>42,340</u>
<u>Fund Equity</u>			
Fund Balances:			
Reserved For:			
Debt Service	0	484	484
Capital Projects	0	98	98
Unreserved:			
Undesignated, Reported In:			
General Fund	91,609	0	91,609
Special Revenue Funds	<u>0</u>	<u>661</u>	<u>661</u>
Total Fund Equity	<u>91,609</u>	<u>1,243</u>	<u>92,852</u>
Total Liabilities and Fund Equity	<u>\$ 133,949</u>	<u>\$ 1,243</u>	<u>\$ 135,192</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
June 30, 2008

Total Governmental Fund Balances		\$	92,852
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:			
Capital Asset Cost	\$	1,138,841	
Accumulated Depreciation		<u>(665,830)</u>	
			473,011
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:			
Real and Personal Property Taxes			4,020
Accrued Interest on Long-Term Liabilities			(695)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:			
Bonds Payable		(107,000)	
Compensated Absences Payable		<u>(388)</u>	
Total Long-Term Liabilities			<u>(107,388)</u>
Total Net Assets - Governmental Activities		\$	<u>461,800</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>			
Property Taxes	\$ 83,104	\$ 0	\$ 83,104
State Grants and Revenue	7,126	0	7,126
Penal Fines	126,607	0	126,607
Local Grants	3,763	0	3,763
Charges for Services	19,061	0	19,061
Interest and Rentals	4,863	73	4,936
Other Revenue	29,764	0	29,764
Total Revenue	<u>274,288</u>	<u>73</u>	<u>274,361</u>
<u>Expenditures</u>			
Current:			
Recreation and Cultural	217,082	1,354	218,436
Capital Outlay	28,173	0	28,173
Debt Service:			
Principal	0	16,000	16,000
Interest and Fiscal Charges	0	4,653	4,653
Total Expenditures	<u>245,255</u>	<u>22,007</u>	<u>267,262</u>
Excess of Revenue Over (Under) Expenditures	<u>29,033</u>	<u>(21,934)</u>	<u>7,099</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In	0	20,653	20,653
Operating Transfers Out	<u>(20,653)</u>	<u>0</u>	<u>(20,653)</u>
Total Other Financing Sources (Uses)	<u>(20,653)</u>	<u>20,653</u>	<u>0</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	8,380	(1,281)	7,099
Fund Balances - Beginning of Year	<u>83,229</u>	<u>2,524</u>	<u>85,753</u>
Fund Balances - End of Year	<u>\$ 91,609</u>	<u>\$ 1,243</u>	<u>\$ 92,852</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Total Net Change in Fund Balances - Governmental Funds		\$	7,099
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capital Outlay	\$	28,173	
Current Year Depreciation Expense		<u>(36,067)</u>	
Net difference			(7,894)
Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The amount of repayments reported as expenditures in the governmental funds consist of:			
Bonds Payable			16,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:			
Net Change in Accrued Interest		(695)	
Net Change in Accrued Compensated Absences		<u>(33)</u>	
			<u>(728)</u>
Change in Net Assets of Governmental Activities		\$	<u>14,477</u>

The accompanying notes to financial statements are an integral part of this statement.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the West Branch District Library (Library) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. Private-sector standards of accounting issued after November 30, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies:

A. Description of Library Operations and Fund Types

The West Branch District Library was established to maintain and operate a public library for the District. The Library operates under the supervision and control of a five member Board of Trustees. A trustee is appointed from each of the following units of government in the District that have levied an operating millage for the Library: the City of West Branch, Edwards Township, Horton Township, Ogemaw Township and West Branch Township. The City of West Branch performs all of the bookkeeping and administrative functions for the Library. All activities over which the Library exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Library are not misleading. The primary government of the Library consists of all funds, departments, boards, and agencies that are not legally separate from the Library.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs of services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library approves the budget, the issuance of debt, or the levying of taxes. The Library does not have any component units.

C. Basis of Presentation

The Library's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support. The Library does not currently have any business-type activities.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

The statement of net assets presents the financial condition of the governmental activities of the Library at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Library.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

D. Fund Accounting

The Library uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Library functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There is one category of funds: governmental.

Governmental Funds

Governmental funds are those through which most governmental functions of the Library are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Library's major governmental fund:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and penal fines.

The other governmental funds of the Library account for grants, bond proceeds and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the construction of building additions and improvements.

E. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Library are included on the statement of net assets.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus (Continued)

Fund Financial Statements

All governmental fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

F. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Library, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the Library receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Library must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Library on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: penal fines, charges for services, fines and forfeitures, grants, interest and rent .

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Basis of Accounting (Continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

G. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Library are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

H. Receivables

Receivables generally consist of amounts due from other units of government. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility.

The allowance for doubtful accounts at June 30, 2008 was \$0.

I. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Buildings and Improvements	15 - 60 years
Office Equipment	5 - 7 years
Computer Equipment	3 - 7 years
Collections - Library Books and Audio-Visual Materials	5 years

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

L. Compensated Absences

The Library reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made based on accumulated sick leave and the employee wage rates at year end taking into consideration limits specified in the Library's termination policy.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, the current portion of unpaid compensated absences is recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts, if any, are recorded in the account "Accrued Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the governmental fund financial statements.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Library's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Governmental Fund Balance Reserves

The Library reserves those portions of governmental fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for future library capital improvements and debt service.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended June 30, 2008.

Q. Budgets and Budgetary Accounting

The West Branch District Library normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to June 1, the Library Director submits to the Library Board a proposed operating budget for the fiscal year commencing the following July 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance .
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Library Board throughout the operating year.

The Library adopts budgets for the General Fund.

The budgets of the Library are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Library Board.

R. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ <u>131,172</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking Accounts)	\$ 6,860
Investments in Financial Institution Pooled Funds	124,112
Petty Cash and Cash on Hand	<u>200</u>
Total	\$ <u>131,172</u>

As of June 30, 2008, the Library had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Primary Government:		
Money Markets	\$ 7,963	Daily
Repurchase Agreements - Public Funds	<u>116,149</u>	Daily
	\$ <u>124,112</u>	

Credit Risk

State law authorizes investments in accordance with Act 196, PA 1997 and in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local government unit in Michigan. The Library's repurchase sweep accounts and investment pools are unrated.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2008, \$0 of the Library's bank balance of \$8,734 was exposed to custodial credit risk.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Library will minimize custodial credit risk, by; limiting investments to the types of securities approved in the Library's investment policy which is in accordance with State law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

As of June 30, 2008, none of the Library's investments , except for the repurchase agreements noted above, were exposed to custodial credit risk as they were uninsured and unregistered with securities held by the counterparty's trust department or agent in the Library's name.

Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk

The Library's investment policy does not address concentration of credit risk, interest rate risk and foreign currency risk.

Investments

The Library Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Library to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Library's deposits and investments are in accordance with statutory authority.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 3 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended June 30, 2008, was as follows:

	Balance 07/01/07	Additions	Deletions	Balance 06/30/08
<u>Governmental Activities</u>				
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 449,713	\$ 6,729	\$ 0	\$ 456,442
Furniture, Fixtures and Equipment	22,399	0	0	22,399
Collections	660,000	21,444	(21,444)	660,000
Subtotal	<u>1,132,112</u>	<u>28,173</u>	<u>(21,444)</u>	<u>1,138,841</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(25,297)	(11,541)	0	(36,838)
Furniture, Fixtures and Equipment	(10,207)	(2,480)	0	(12,687)
Collections	(615,703)	(22,046)	21,444	(616,305)
Subtotal	<u>(651,207)</u>	<u>(36,067)</u>	<u>21,444</u>	<u>(665,830)</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 480,905</u>	<u>\$ (7,894)</u>	<u>\$ 0</u>	<u>\$ 473,011</u>

Depreciation expense was charged to programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government:	
Recreation and Cultural	<u>\$ 36,067</u>

NOTE 4 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Real and Personal Property Taxes	\$ 4,020	\$ 0	\$ 4,020
Grant Revenue	<u>0</u>	<u>2,987</u>	<u>2,987</u>
Total	<u>\$ 4,020</u>	<u>\$ 2,987</u>	<u>\$ 7,007</u>

NOTE 5 - LONG-TERM LIABILITIES

A. Bonds Payable

2004 Library Limited Tax General Obligation Facility Bonds in the amount of \$170,000 due in annual installments of \$16,000 to \$19,000 through 2014; interest at 2.25% - 4.50%. Payments are made from the 2004 Library Facility Bonds Fund.

<u>Governmental</u>
<u>\$ 107,000</u>

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

B. Compensated Absences Payable

The Library has an accrued liability for accumulated vested sick leave benefits of its employees. As of June 30, 2008, the accumulated vested sick leave benefits of the employees of various Library departments were as follows:

	Current Liability 06/30/08	Long-Term Liability 06/30/08	Total Balance 06/30/08
<u>Accrued Contractor Benefits Payable</u>			
Governmental Activities	\$ <u>388</u>	\$ <u>0</u>	\$ <u>388</u>

C. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Library for the year ended June 30, 2008:

	Balance 07/01/07	Issues or Additions	Payments or Expenditures	Balance 06/30/08	Due Within One Year
<u>Governmental Activities</u>					
Primary Government:					
Bonds Payable	\$ 123,000	\$ 0	\$ (16,000)	\$ 107,000	\$ 16,000
Compensated Absences	<u>355</u>	<u>33</u> *	<u>0</u>	<u>388</u>	<u>388</u>
Total Primary Government	\$ <u>123,355</u>	\$ <u>33</u>	\$ <u>(16,000)</u>	\$ <u>107,388</u>	\$ <u>16,388</u>

*Represents net of additions and retirements for the year.

The annual aggregate maturities for all debt outstanding as of June 30, 2008 are as follows:

Bonds Payable	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2009	\$ 16,000	\$ 4,173	\$ 20,173
2010	17,000	3,652	20,652
2011	18,000	3,058	21,058
2012	18,000	2,382	20,382
2013	19,000	1,663	20,663
2014	<u>19,000</u>	<u>855</u>	<u>19,855</u>
Total	\$ <u>107,000</u>	\$ <u>15,783</u>	\$ <u>122,783</u>

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 6 - SERVICE CONTRACTS

The Library maintains service contracts with two Townships in the District in lieu of a dedicated millage, which allows the Library to forego charging the Townships' residents a user fee. Annual payments under the service contracts are determined by taking the total amount of funds a dedicated millage of .300 mills would create if applied and collected from the City of West Branch, Edwards Township, Horton Township, Ogemaw Township and West Branch Township, multiplied by .90 with that sum multiplied by the number of Library cardholders residing in the applicable Township under the service contract. The calculation is based upon the number of cardholders and taxable value as of December 31st each year, and due and payable by the first day of the following March.

The total amount received under service contracts for the year ended June 30, 2008 is as follows:

Churchill Township	\$	11,028
Foster Township		<u>5,934</u>
	\$	<u><u>16,962</u></u>

NOTE 7 - ADMINISTRATIVE FEES

The City of West Branch provides bookkeeping and administrative services to the West Branch District Library. Administrative fees paid to the City of West Branch for the year ended June 30, 2008 were \$8,000.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Library district. Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 30 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Library district was \$288,894,229. The 2007 operating tax rates are currently .2874.

NOTE 9 - OPERATING TRANSFERS

During the year ended June 30, 2008, the following transfers were made:

<u>Description</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
<u>Major Funds</u>		
Major Governmental Funds:		
General Fund	\$ 0	\$ 20,653
Non-major Governmental Funds	<u>20,653</u>	<u>0</u>
	<u><u>\$ 20,653</u></u>	<u><u>\$ 20,653</u></u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 10 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Library for these budgetary funds were adopted at the activity level.

During the year ended June 30, 2008, the Library incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Activity</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund/Recreation and Cultural	\$ 209,820	\$ 217,082	\$ 7,262
General Fund/Capital Outlay	\$ 27,450	\$ 28,173	\$ 723
General Fund/Transfers Out	\$ 20,330	\$ 20,653	\$ 323

NOTE 11 - RETIREMENT SYSTEM - MERS OPERATED

The Library is part of the City of West Branch's defined benefit pension plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Municipal Employee Retirement System (MERS) of Michigan. Information on the plan, as a whole, is disclosed in the Notes to Financial Statements of the City's Audit Report. The disclosure includes information on the plan description, funding policy and annual pension cost. Complete financial statements can be obtained from the City of West Branch Treasurer's office.

NOTE 12 - UNEMPLOYMENT COMPENSATION

The Library is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Library must reimburse the Employment Agency for all benefits charged against the Library. Accrued unemployment compensation was \$0 as of June 30, 2008.

NOTE 13 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries and natural disasters. The Library has purchased commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
For the Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 75,000	\$ 75,000	\$ 83,104	\$ 8,104
State Grants and Revenue	4,000	4,000	7,126	3,126
Penal Fines	130,000	130,000	126,607	(3,393)
Local Grants	0	0	3,763	3,763
Charges for Services	18,300	18,300	19,061	761
Interest and Rentals	2,000	2,000	4,863	2,863
Other Revenue	21,300	21,300	29,764	8,464
Total Revenue	<u>250,600</u>	<u>250,600</u>	<u>274,288</u>	<u>23,688</u>
<u>Expenditures</u>				
Current:				
Recreation and Cultural	208,770	209,820	217,082	(7,262)
Capital Outlay	<u>22,500</u>	<u>27,450</u>	<u>28,173</u>	<u>(723)</u>
Total Expenditures	<u>231,270</u>	<u>237,270</u>	<u>245,255</u>	<u>(7,985)</u>
Excess of Revenue Over Expenditures	19,330	13,330	29,033	15,703
<u>Other Financing Uses</u>				
Operating Transfers Out	<u>(18,330)</u>	<u>(20,330)</u>	<u>(20,653)</u>	<u>(323)</u>
Excess of Revenue Over (Under) Expenditures and Other Uses	1,000	(7,000)	8,380	15,380
Fund Balances - Beginning of Year	<u>83,229</u>	<u>83,229</u>	<u>83,229</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 84,229</u>	<u>\$ 76,229</u>	<u>\$ 91,609</u>	<u>\$ 15,380</u>

OTHER INFORMATION

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2008

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Total Other Governmental Funds</u>
	<u>Library Contingency</u>	<u>2004 Library Facility Bonds</u>	<u>Library Capital Improvement</u>	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>661</u>	\$ <u>484</u>	\$ <u>98</u>	\$ <u>1,243</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<u>Fund Equity</u>				
Fund Balances:				
Reserved For:				
Debt Service	0	484	0	484
Capital Projects	0	0	98	98
Unreserved:				
Undesignated, Reported In:				
Special Revenue Funds	<u>661</u>	<u>0</u>	<u>0</u>	<u>661</u>
Total Fund Equity	<u>661</u>	<u>484</u>	<u>98</u>	<u>1,243</u>
Total Liabilities and Fund Equity	\$ <u>661</u>	\$ <u>484</u>	\$ <u>98</u>	\$ <u>1,243</u>

WEST BRANCH DISTRICT LIBRARY
Ogemaw County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Total Other Governmental Funds</u>
	<u>Library Contingency</u>	<u>2004 Library Facility Bonds</u>	<u>Library Capital Improvement</u>	
<u>Revenue</u>				
Interest and Rentals	\$ 40	\$ 33	\$ 0	\$ 73
<u>Expenditures</u>				
Current:				
Recreation and Cultural	0	0	1,354	1,354
Debt Service:				
Principal	0	16,000	0	16,000
Interest and Fiscal Charges	<u>0</u>	<u>4,653</u>	<u>0</u>	<u>4,653</u>
Total Expenditures	<u>0</u>	<u>20,653</u>	<u>1,354</u>	<u>22,007</u>
Excess of Revenue Over (Under) Expenditures	40	(20,620)	(1,354)	(21,934)
<u>Other Financing Sources</u>				
Operating Transfers In	<u>0</u>	<u>20,653</u>	<u>0</u>	<u>20,653</u>
Excess of Revenue and Other Sources Over (Under) Expenditures	40	33	(1,354)	(1,281)
Fund Balances - Beginning of Year	<u>621</u>	<u>451</u>	<u>1,452</u>	<u>2,524</u>
Fund Balances - End of Year	<u>\$ 661</u>	<u>\$ 484</u>	<u>\$ 98</u>	<u>\$ 1,243</u>



Stephenson, Gracik & Co., P.C.
Certified Public Accountants & Consultants

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December 31, 2008

Management and the Library Board
West Branch District Library
Ogemaw County, Michigan

We have conducted the audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Branch District Library as of and for the year ended June 30, 2008 and have issued our report dated December 31, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditor's Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the Library during the audit and met with management on December 31, 2008. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Library Board, others within the Library and the Michigan Department of Treasury and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Appendix I

Communication to Those Charged with Governance

Responsibilities under Generally Accepted Auditing Standards

As stated in our engagement letter dated September 11, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our engagement letter related to planning matters dated September 11, 2008.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the Library during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

We encountered no difficulties during the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditor's report. We had no disagreements with management during the audit.

Appendix I
Communication to Those Charged with Governance

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Appendix II Management Comments

In planning and performing our audit of the financial statements of West Branch District Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered West Branch District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Branch District Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Branch District Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We identified the following deficiency in internal control that we consider to be a material weakness.

FINANCIAL STATEMENT PREPARATION CONTROLS

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the West Branch District Library's financial statements. However, if at any point in the audit we as auditors are part of the West Branch District Library's control system for producing reliable financial statements, auditing standards indicate that the Library has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

An example of where the Library relies on the auditor as a control for producing reliable financial statements is in the adjustments to accounts payable needed at year end. During the audit, several adjustments were needed to balance the different payable type accounts to actual. By these not being adjusted monthly, the financial records provided to the Board each month were not an accurate reflection of the Library's standings. Without adequate financial records, management is basing its decisions on incomplete and/or inaccurate information during the year, and additional time is spent at year end in preparing and auditing the financial statements.

Appendix II
Management Comments

STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation				X
Expenditures Exceeding Appropriations			X	
Petty Cash Fund Establishment	X			